

SACS Accounting Committee Meeting Minutes
July 11, 2002
California Dept of Ed, Sacramento

I. Introductions and Notices

- A. Sharon DeLong, manager in the Accounting Office, solicited feedback from the participants as to how the e-mail payment notification system is working. The overall consensus was that it is working well. There was a suggestion to include the name of the program in the subject line of the e-mail (currently only the claim number is referenced); however, Sharon indicated that this would be difficult to do, as the Accounting Office does not have this information. She suggested that the LEA insert the program title if the payment notification must be forwarded to someone who is not familiar with the information CDE provides. There was also a request to have the grant award letters, which are currently mailed by program staff, e-mailed as well. Sharon explained that this would involve a coordinated effort between the Accounting Office and all program offices, and that it would be difficult to get everyone to cooperate.

Sharon had a few suggestions:

1. Be sure to empty your e-mail inbox regularly; some of our notifications come back undeliverable due to full e-mail boxes.
2. CDE contacts for questions:
PCA/Resource questions – Mary Eve Peek
E-mail address changes – Stel Cordano
Program related questions – appropriate program staff (grant letter)

B. Minutes Status

The SACS Accounting Committee meeting minutes for the January 9 and March 19, 2002 meetings have been posted:

C. District/County Communications With Our Office

Due to the high volume of calls we have been receiving, we are requesting that districts contact their county offices with software and accounting related questions. The county office may contact CDE if they cannot resolve questions received by their districts.

II. Accounting Issues

A. New Resource Codes for 2002-03

A list of proposed resource codes for 2002-03 was distributed. Since the state's budget had not been passed as of this date, we still have no firm information to base any decisions on. No new state PCAs are on the SACS query system yet. New PCAs for federal programs should be available in the SACS query soon.

B. Charter School Reporting

1. Summary Judgments Regarding CDE's Authority to Collect Charter School Data
Reference was made to the June 24, 2002 letter from Jan Sterling, School Fiscal Services Division, advising LEAs that charter schools are not required to submit year-end financial data to CDE, as CDE does not have statutory authority to require such reporting. However, if LEAs are currently reporting charter school financial data, we encourage them to continue to do so. The letter can be found at:

<http://www.cde.ca.gov/fiscal/financial/y2002-2401forweb.htm>

2. Fund 65 Charter School Enterprise Fund

The establishment of this fund has been tabled for now. Fund 63, Other Enterprise Fund, may be used; the data does not have to be submitted to CDE.

C. GASB 31 Fair Market Value of Investments

A question was raised from an LEA regarding whether fair market value adjustments should be reversed at the beginning of a fiscal year, and if the adjustment should be made if it is not material. CSAM Part I, Procedure 703 (Accounting and Reporting for Certain Investments) provides guidance on recording the fair value entry comments on the materiality issue. We recommend that entry be made, regardless of materiality.

D. GASB 33, Revenue Recognition

1. Continued Discussion of Deferred Revenue vs. Restricted Fund Balance

We are continuing discussions with GASB in order to determine what guidance we will give. Initially, it appeared that carryover for many grants would be recognized as restricted fund balance instead of deferred revenue, but now it appears this will not be the case. We will not make any immediate changes to the tables or software; LEAs should continue to book balances the way they feel is appropriate and explain any technical review exceptions.

2. Deferred Maintenance Accrual

Approximately half of LEAs accrue deferred maintenance revenue from the State in the year prior to the actual appropriation by the State. Our guidance is that the revenue should not be recognized until the year in which the State appropriates it. We provided excerpts from GASB Statement 33, Paragraphs 54 and 74, and from the Implementation Guide for GASB 34 & Related Pronouncements (GQA34B), questions 164 and 165, which reiterate these concepts.

E. GASB 34 District-wide Financial Reporting

1. Restricted vs. Unrestricted Assets

The concept of reporting net assets as restricted, invested in capital assets net of related debt, and unrestricted as required by GASB 34 is not the same as the concept of restricted and unrestricted resources in SACS.

2. Facilitating Government-Wide Reporting

a. Optional Other Outgo Functions 9100, 9200 and 9300

Currently, the use of these three functions is optional; the standard function is 9000. However, it is difficult for us to track other outgo when it is reported in one function. We proposed requiring the use of Functions 9100, 9200 and 9300, eliminating the more general Function 9000 as a valid SACS code. Response was that the earliest it should become effective is FY 2003-2004, in order to allow time for LEAs to change their accounting practices.

b. Optional use of resource in funds other than General Fund/CSSF

Currently, restricted resources are not assigned for those program revenues accounted for in a separate fund; i.e., the deferred maintenance apportionment in Fund 14, the adult ed apportionment in Fund 11, and OPSC construction grants in Fund 35. The assumption until now has been that use of a separate fund indicates restrictions on revenues, and typically no reporting has been required below the fund level. Therefore we have advised the use of Resource 0000 in those funds. However, we have determined that programming GASB 34 enhancements would be easier if restricted resource codes were used in all funds, as it would facilitate capturing specific program revenues used for expenditures. We would use the same guidelines currently used in assigning resources.

Several concerns were raised, including:

- The need for finding a range of resource numbers large enough to accommodate the reporting of multiple projects
- How will interfund loans be recorded?
- How will resources be assigned for different types of revenue deposited to one fund (i.e. Fund 17)?
- Will Resource 0000 become invalid in the affected funds?
- May create a major conversion problem

CDE acknowledged the feedback and will work to develop a solution that takes the various issues into account.

3. Interfund Transfers Involving Fiduciary Funds

Fiduciary funds are used for the accumulation of assets held in trust for other entities. Fiduciary funds are not included in the GASB 34 government-wide financial statements. This raises the issue of whether interfund transfers between governmental or proprietary and fiduciary funds would ever be appropriate. An example was presented of an annuity-based retiree benefit fund with trustee

involvement; in this case, classification as a fiduciary fund appears appropriate. However, movement of resources into the fund should be accounted for as a contribution, not an interfund transfer.

F. Accounting for Non-Capitalized Facilities Costs

1. Facility planning costs

CDE sent an inquiry to the U.S. Department of Education, National Center for Education Statistics (NCES) regarding which Federal Handbook function would be used to report facilities-related expenditures that do not increase capital assets reported per the requirements of GASB 34, such as facility planning costs. Based on NCES's response, facilities planning services should be coded with SACS Function 7510, Planning Research Development and Evaluation, or the more general Function 7200, General Administration.

2. Acquisition & construction costs

Further discussion as to whether it is appropriate to capitalize all costs in Function 8500. CSAM will be modified to clarify this concept, as the capitalization required by the new GASB 34 reporting requirements is new to most LEAs. Our account structure mirrors that of the federal accounting handbook, and they have no plans to add a new function for the classification of non-capitalized facilities costs. At least for now, in the SACS software, once the SACS default conversion entries have been made, LEAs will still be able to make adjustments to these entries. This allows for the deduction of costs the LEA believes should not be capitalized.

G. Retiree Benefits Fund

A copy of the relevant paragraphs of GASB Statement 34 was distributed which, most importantly, defines the appropriate use of fiduciary funds. The key point is that unless a formal trust agreement exists, a fund should not be classified as fiduciary. CDE is researching and most likely we will be establishing a new special revenue fund to account for retirement benefits not governed by a formal trust agreement. Also, GASB has a work-in-progress for the accounting of post-retirement benefits.

H. Salaries Charged to Student Body Funds

The participants were surveyed as to how many do charge salaries to student body funds. A few indicated that they do; CDE asked that they e-mail the types of charges that are made.

I. Modification of Certain Fund Titles to Reflect Fund Types

Advised that we will be modifying certain fund titles to indicate the type of fund it is, as a few funds are classified under two different fund types; i.e. the Cafeteria **Special Revenue** fund or the Cafeteria **Enterprise** fund.

J. Transfer of SELPA Interest to LEAs

The participants were surveyed as to whether anyone distributes SELPA interest to SELPA members. No one responded that this is occurring. There was a proposal to change the SEA form to include interest revenue; however, the consensus was that since interest revenue is not part of the SELPA distribution, it should not be included on the SEA form.

K. Lottery Resource and Object 8980

Revisited the issue of how to allow the contribution of Lottery to other resources, while still enabling CDE to meet statutory Lottery reporting requirements. LEAs want to be able to contribute (Object 8980) Lottery funds to other resources; this was not going to be possible beginning FY 2003-04, as the TRC exception was to be made a fatal error, but CDE has continued to consider other alternatives. A possible alternative is to change the automated Lottery report to enable LEAs to key in the information for what resource funds are transferred to and how they are spent, thus enabling the continued use of Object 8980. The participants indicated they would like to see the report revised in this manner, although it will be slightly more complicated, in exchange for the accounting flexibility they prefer.

III. Software Updates

A. GASB 34 Revision

There will not be another version of the software released when the GASB 34 functionality is released; instead, we will post the files to the web as soon as they are available. NOTE: GASB 34 files were released and posted on July 31.

B. Update to Matrix Tables

1. We are considering separating current Object 7310, Direct Support/Indirect Costs Charges into two objects, which means creating an additional object, in order to distinguish transfers of direct support costs from transfers of indirect costs. This was not needed in the past because before SACS, few if any LEAs actually booked the transfer of support costs.
2. Object 9425, Accumulated Depreciation, Land Improvements, has been added to the unaudited actuals SACS software release to facilitate GASB 34 reporting.

C. SACS Software

1. ROP form – excess carryover calculation

Several concerns have been brought to our attention regarding how the excess carryover is calculated on the ROP form; we are in the process of proposing language to clarify Ed Code related to the calculation of the excess carryover, which must be returned to CDE, and we will continue discussing at the next meeting.

2. Interim fund forms – discontinuing manual input

Because of the current flexibility of manual input into the interim forms, many automated checks (TRC) and extractions (i.e., into Criteria & Standards) cannot

be performed, which creates a lot of flexibility that must be added to the software. This has become a very time consuming effort. When the participants were presented with the proposal of changing the interim fund forms to accept only imported data, several suggestions were offered, including:

- Waiting until all LEAs have implemented SACS
- Leave the “Projected Year” column flexible (problem with this is that most checks are made against this column)
- Allow flexibility in the first year, first interim only

At this point, we will probably wait until everyone has implemented SACS before a final decision is made.

3. Printing issues

The multi-form printing functionality is now available and working well. However, the functionality of being able to change page print layout to landscape, or to print multiple copies, was lost when the software in which SACS is programmed was updated. CDE hopes to identify a resolution.

4. Frequently asked questions

Many of the questions we receive can be answered by referring to the User’s Guide and Instruction Manual. Please be sure to look at these resources first before calling us. Also, let us know if any part of these manuals is not user friendly.

A few questions we receive frequently include:

- “Why isn’t the MYP or CS form pulling any data?”
Form 01 should be opened and saved first (budget and interim only)
- “Why isn’t this combination valid? We have downloaded the latest tables.”
Quite often, the LEA has not successfully updated their tables. The validation table update is a two-step process: After downloading tables from the Internet, the update validation process must be run in the SACS software.
- “Why don’t we get a printout of fund balances now that we have converted to SACS?”
The balances are built into the software, so we no longer send out the report. There is a pending change order to add this option to the software.

IV. Program Cost Accounting

A. Proposed Documentation Guidelines for State Restricted Programs and Program Cost Accounting

Federal A-87 rules dictate how salaries that are split between federal programs should be documented. There is a push to document state restricted programs in the same way. In

the past, documentation has centered around the rules of the J380, dealing with splits between “programs” (now goals) or between functions, such as pupil support and administrative salaries. These requirements need to be updated, and in light of A-87, it seems more logical for CDE to follow the federal regulations. There is concern that SACS has no requirement to document salary splits, and there is a possibility that CSAM will not be approved until the issue has been settled and appropriate guidance added to the manual.

B. Use of CU’s to Allocate M&O Costs

Surveyed the participants for ideas on how to account for this. No one reported using this method in their general ledger.

V. Other Issues

A. Form CA, Summary Page

A new worksheet has been added to Form CA, Certification of Unaudited Actuals, which summarizes critical information generated from various forms. This has been added as a tool for LEAs to make a final check of these forms that if submitted with incorrect data could result in a reduction of apportionment.

B. Staff Development Buy-Out Funding

This funding has been assigned Resource 0000 as most salaries are coded with Resource 0000. If an LEA wishes to track this funding, they may create a locally defined resource, which will roll up to 0000 for reporting to CDE.

VI. Next Meeting – OCTOBER 2, 2002

**New CDE Building
1430 N Street, Suite 1101 (Board Room)
Sacramento**